



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GRAYSON COUNTY TOURISM COMMISSION**

Fiscal Year Ended June 30, 1997

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Members of the Grayson County Tourism Commission

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balance arising from cash transactions of the Grayson County Tourism Commission, as of June 30, 1997, and the related statement of cash receipts, cash disbursements, and changes in cash balance for the year then ended. These financial statements are the responsibility of the Grayson County Tourism Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fourth paragraph below, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Grayson County Tourism Commission prepares its financial statements on a cash basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Karen Woosley served as the Chamber of Commerce's member on the commission, and was elected chairman of the commission during the period covered by this audit. As chairman, with the prior approval of the commission, Ms. Woosley signed all contracts, deeds, and other legal documents on behalf of the commission. She also co-signed with the commission's treasurer all checks. As a result of a lawsuit involving Ms. Woosley and the commission during this period, the Grayson Circuit Court ruled that Ms. Woosley was not a member of the commission after the time the Chamber of Commerce elected Becky Brooks as its representative on the commission. Due to the uncertainty created by these events, we are unable to determine if all the actions of the commission were legally authorized during this time period as disclosed in Note 4. In addition, we were unable to obtain supporting documentation for many expenditures of the commission, and we could not determine if the minutes of commission meetings were complete and accurate.

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In our opinion, except for the effects of such adjustments, if any, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance arising from cash transactions of Grayson County Tourism Commission, and the related statement of revenues, expenditures, and changes in fund balance as of and for the year ended June 30, 1997, in conformity with the cash basis of accounting described above.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Based on the results of our audit, we have presented Comments and Recommendations, included herein, which discuss the following areas of noncompliance:

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court
- The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports
- The Recording Of The Minutes Should Be Improved
- The Grayson County Tourism Commission Should Maintain Proper Time Records
- The Grayson County Tourism Commission Did Not Meet The Requirements Of The Open Records Act And Open Meetings Act

In accordance with Government Auditing Standards, we have also issued a report dated July 12, 1999, on our consideration of the Grayson County Tourism Commission's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 1999

GRAYSON COUNTY
 GRAYSON COUNTY TOURISM COMMISSION
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE

June 30, 1997

Assets

Cash in Bank	\$ (1,478)	
Certificate of Deposit	<u>77,446</u>	
Total Assets		<u>\$ 75,968</u>

Liabilities and Fund Balance

Liabilities		\$ 0
Fund Balance-		
Reserved Fund Balance - Building	\$ 73,692	
Unreserved Fund Balance	<u>2,276</u>	<u>75,968</u>
Total Liabilities and Fund Balance		<u>\$ 75,968</u>

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY
 GRAYSON COUNTY TOURISM COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 1997

Revenues

Tourism Tax	\$ 37,808	
Interest	3,914	
Miscellaneous	<u>261</u>	
Total Revenues		\$ 41,983

Expenditures

Net Wages	\$ 8,736	
Payroll Taxes and Withholdings	3,990	
Advertising	19,844	
Events	2,204	
Prizes and Awards	1,475	
Rent	4,900	
Matching Funds	10,180	
Insurance	682	
Telephone	2,041	
Office Supplies and Postage	<u>696</u>	
Total Expenditures		<u>54,748</u>
Deficiency of Revenues Over Expenditures		\$ (12,765)
Fund Balance July 1, 1996		<u>88,733</u>
Fund Balance June 30, 1997		<u><u>\$ 75,968</u></u>

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT

June 30, 1997

Note 1. Summary of Significant Accounting Policies

The Grayson County Tourism Commission (commission) was formed as a result of enabling legislation passed by the General Assembly of the Commonwealth of Kentucky. By joint action of the Grayson County Fiscal Court and the City of Leitchfield, an ordinance was enacted in 1992, establishing the Grayson County Tourism Commission and transit room tax. The purpose of the commission is to promote convention and tourism activity. KRS 91A.360 allows the commission to elect from its membership a chairman and a treasurer, and it may employ personnel and make contracts necessary to carry out its purpose. The contracts may include, but shall not be limited to, the procurement of promotional services, advertising services, and other services and materials relating to the promotion of tourist and convention business.

The commission's purpose is to direct the promotion of Tourism and Convention activities of the Grayson County service area. The commission's objectives are:

- To increase business to every establishment which directly or indirectly serves the conventionaire and/or traveling public;
- To encourage those serving the traveling public to always render a high standard of performance and to levy charges proportionate to the quality and quantity of service and/or products supplied;
- To extend the hand of welcome to all visitors, and visitor prospects, in keeping with the highest traditions of hospitality expected of our area and in keeping with fair and honest business practice;
- To provide leadership and/or seek funding to involve those establishments serving the traveling public in projects and programs which enhance and advance our community and simultaneously provide for expansion of tourist and convention business in Grayson County; and
- To create and project a positive image for the tourist and convention industry within the local community.

The commission membership consists of seven people appointed by the County Judge/Executive and the Mayor of the largest city (Leitchfield) in Grayson County.

- One member from a list submitted by the local restaurant association;
- One member from a list submitted by the Chamber of Commerce;
- One member appointed by the County Judge/Executive;
- Three members from a list submitted by the local hotel/motel association; and
- One member appointed by the Mayor of the City of Leitchfield.

Board members are initially appointed for terms as follows:

- Two for the term of three years;
- Two for the term of two years; and
- Three for the term of one year.

Subsequent appointments shall be for three-year terms. Board members may be removed for cause.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1997
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

The officers of the commission shall be the chairman, vice-chairman, secretary, and treasurer, all of whom shall be members of the commission. The officers shall be elected and serve a term of one year. There will be no term limits as to how long a commissioner may fill or serve in the same office.

The duties of the commission's officers are as follows:

- Chairman – the chairman is the chief spokesman of the commission. The chairman will preside at all meetings of the commission and at meetings of the executive committee. The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission. The chairman will name all committee chairmen and committee members.
- Vice-Chairman – the duties of the vice-chairman will be the same as for the chairman, except that they will be performed in the absence of the chairman or when the chairman is unable to perform such duties.
- Secretary – the secretary shall be responsible to approve and certify the minutes of the meetings as the official record of the commission.
- Treasurer – the treasurer will cause monthly financial statements to be submitted. At no time shall the treasurer serve as the Chairman of the Budget or Finance Committee. The treasurer will cause an audit to be made every two years of the commission's financial records by its designated certified public accountants, who will be paid for by the commission.

Meetings of the commission will be held, at least monthly, on the second Tuesday of the month or at another time and day agreed upon by a majority of the commission at a time and place to be determined by the chairman. Additional meetings may be called by the chairman as circumstances require. All meetings will be conducted within the provisions of the open meetings statute.

The staff is the “working arm” of the commission and is subject to its authority. The chairman shall employ staff members that will be responsible for the day to day operations and management of the commission. The chairman will be responsible for hiring, training, and termination of staff members subject to approval by the commission.

The bylaws may be amended from time to time by a majority vote of the commission.

A. Reporting Entity

The financial statements of the Grayson County Tourism Commission include funds for which the Grayson County Tourism Commission is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the tourism commission's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1997
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Grayson County Tourism Commission uses a fund to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The Grayson County Tourism Commission prepares its financial statements on a cash basis of accounting. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance – Budget

The annual operational budget shall be drafted by the chairman. The draft will be submitted to the commission's budget/finance committee for consideration, modification, and approval. The commission will submit a budget to the Grayson County Judge/Executive for fiscal court approval before June of each year. The commission approved a budget June 11, 1996 for fiscal year ended June 30, 1997. The budget was not submitted to the Grayson County Fiscal Court for approval.

E. Fiscal and Financial Procedures

The fiscal and financial procedures are:

- The fiscal year of the commission begins on July 1 and ends June 30 of the following year.
- The funds of the commission are derived from transient room taxes authorized by KRS; and are limited by statute not to exceed three percent. Supplemental funds may be derived from the Kentucky Matching Funds Program as permitted by statute and that agency's guidelines; and from such additional sources as the commission may from time to time approve.
- There shall be no dollar limit on budget-approved expenditures except that competitive bids will be obtained on intended purchases at, or above, the statutory limit (\$7,500), and in full accord with statutory provisions. In addition, competitive bids should be obtained at the discretion of the chairman on all major purchases not covered under state statutory provision. All expenditures of \$1,000 or more, except payroll, will be reported to the commission as an addendum to the financial report.
- The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission.
- All funds of the commission shall be promptly deposited in interest bearing accounts designated by the commission. The commission shall maintain a general account. Checks drawn against the general account of the commission requires the signature of the chairman and treasurer. The check signing commissioners, chairman and staff will be bonded.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1997
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fiscal and Financial Procedures (Continued)

The fiscal and financial procedures are:

- Funds may be invested in interest bearing accounts or certificates of deposits at service area banks.
- A financial report reflecting budget line items and expenditures and balances, bank account balance, tax receipts, and other income will be presented to the commissioners at each of the regular meetings. Monthly financial reports will be mailed to the members prior to commission meetings.

F. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 2), investments exclude certificates of deposit. The commission considers all short-term investments with an original maturity of three months or less to be cash equivalents. Excess funds are invested in certificates of deposit.

KRS 66.480 authorizes the tourism commission to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The Grayson County Tourism Commission does not participate in a retirement system.

Note 3. Deposits

The commission maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The commission did not have more than \$100,000 of funds at any time and was insured by the FDIC.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1997
(Continued)

Note 4. An Order Was Entered By The Grayson Circuit Court Declaring Becky Brooks The County Chamber of Commerce's Lawful Designee On The Grayson County Tourism Commission

In January 1997, the Grayson County Chamber of Commerce submitted three names, in accordance with KRS 91A.360(1)(d), as nominees to replace the Chamber's current delegate on the Grayson County Tourism Commission. At the February 1997 meeting of the Grayson County Fiscal Court, the County Judge/Executive declared all three nominees unacceptable to him. The Chamber of Commerce then submitted three more nominees, which were also denied by the County Judge/Executive. Apparently, the Mayor of the City of Leitchfield expressed his willingness to endorse a member from the names submitted by the Chamber of Commerce. When more than 30 days had expired after submission of the list of nominees without appointment, the Chamber of Commerce conducted an election with all members being mailed ballots as provided in KRS 91A.360(2). Becky Brooks was elected by the Chamber of Commerce members to serve as their designee on the Tourism Commission. Becky Brooks thereafter attempted to take her seat on the Commission, but was not permitted to do so by the Commission. The reason, reportedly, was an alleged conflict between KRS 67.710 ("Powers and Duties" of County Judge/Executive) and KRS 91A.350, et seq., ("Local Tourist and Convention Commissions"). The Commission refused to recognize anyone not selected by the County Judge/Executive. The dispute went to court, and the local Circuit Judge issued an order, dated July 29, 1998, which adjudged, in part, the following:

- Becky Brooks was the representative of the Chamber of Commerce on the Tourism Commission;
- If Karen Woosley purports to hold a seat on the Tourism Commission as the representative of the Chamber of Commerce, then she shall vacate that position forthwith; and
- The Tourism Commission has the power and authority to authorize an audit of its accounts and activities.

A motion to amend the judgment was filed by counsel for the Grayson County Tourism Commission to request the court to:

Include in its opinion and order that Karen Woosley was a member of the Tourism Commission during the time period of this action, serving at the discretion of the County Judge/Executive and in a good-faith reliance on a statute which this court has declared to be superceded by a contrasting statute, and that the actions of the Commission, during this time period, were legal where the requirements of a quorum were met. The current audit of the commission should be conducted by the certified public accountant engaged by Karen Woosley.

The Circuit Judge denied the motion.

On August 20, 1998, the Grayson County Fiscal Court appointed Karen Woosley to the Commission to finish the unexpired term of George Basham, who resigned.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENT
June 30, 1997
(Continued)

Note 4. An Order Was Entered By The Grayson Circuit Court Declaring Becky Brooks The County Chamber of Commerce's Lawful Designee On The Grayson County Tourism Commission (Continued)

The Circuit Judge ruled that Karen Woosley was not a member of the Tourism Commission after the Chamber of Commerce elected Becky Brooks as their representative. Before the court's ruling, however, Karen Woosley was elected chairman of the commission during this period and, with the prior approval of the commission, signed all contracts, deeds, and other legal documents on behalf of the commission. She also co-signed all checks with the Treasurer. We are unable to determine if the actions of the commission were legal during this time period.

Note 5. Subsequent Events

A dispute arose between a former Chairperson of the Commission, Karen Woosley, and a majority of the Commission, over whether Karen Woosley was entitled to reimbursement from the Commission of \$5,433 which she had paid in connection with an audit of the Commission, and other accounting assistance, performed by a Louisville CPA firm. This dispute resulted in a declaratory judgment action being filed by the Commission against Karen Woosley, which is currently pending.

GRAYSON COUNTY
 GRAYSON COUNTY TOURISM COMMISSION
 COMPARATIVE SCHEDULE OF BUDGET
TO ACTUAL REVENUES AND EXPENDITURES

Fiscal Year Ended June 30, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>Revenues:</u>			
Balance forward on July 1, 1996			
Checking Account	\$ 17,441	\$ 15,041	\$ (2,400)
Transient Tax	41,000	37,808	(3,192)
Interest on Certificate of Deposit and Checking Account	<u>3,559</u>	<u>3,914</u>	<u>355</u>
Total Projected Income	<u>\$ 62,000</u>	<u>\$ 56,763</u>	<u>\$ (5,237)</u>
<u>Expenditures:</u>			
Wages	\$ 8,000	\$ 8,736	\$ 736
Withholding	3,500	3,990	490
Rent	4,500	4,900	400
Insurance	1,500	682	(818)
Marketing/Promotional/Matching Funds	19,000	11,655	(7,345)
Marketing/Promotional	20,500	19,844	(656)
Office Expense	3,000	2,737	(263)
Independent Contractors/Match	<u>1,000</u>	<u>2,204</u>	<u>1,204</u>
Total Projected Expense	<u>\$ 61,000</u>	<u>\$ 54,748</u>	<u>\$ (6,252)</u>

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OMMENTS AND RECOMMENDATIONS

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1997

The responses to these comments from the current commission and from former Chairman Karen Woosley have been included in Appendix A and Appendix B, respectively. Their responses do not change our comments and recommendations in any manner.

1) The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

The Grayson County Tourism Commission's bylaws require the commission to adopt a budget and to submit it to the fiscal court for approval. As required by the Grayson County Tourism Commission's bylaws, a copy of the Commission's budget was submitted to the Grayson County Judge/Executive, but not to the Grayson County Fiscal Court. By joint action of the Grayson County Fiscal Court and the City of Leitchfield, an ordinance was enacted in 1992 establishing the Grayson County Tourism Commission and a transit room tax. The ordinance states, "[t]he commission shall make an itemized quarterly report to the appointing authority showing the expenses and income for each month. The commission shall further present copies of its annual budget to the appointing authority." The commission adopted a budget for fiscal year ending June 30, 1996, but it was not approved by the fiscal court. We recommend that the Grayson County Tourism Commission submit its budget to the fiscal court for approval as required by commission bylaws, and submit its quarterly reports to the fiscal court and the City of Leitchfield as required by ordinance.

2) The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports

During our audit, we noted the absence of sufficient documentation to support payment of expenditures made by the commission. Sufficient documentation consists of original invoices, receipts, or other supporting documentation and cancelled checks. We were able to obtain copies of cancelled checks or original canceled checks to support the expenditures. We could not locate many of the original invoices or other documentation to support operating expenditures of \$15,169. Karen Woosley provided signed affidavits to support \$11,385 of total operating expenditures of \$42,022. In addition, we could not locate any signed time sheets to support payroll expenditures of \$12,726. Karen Woosley submitted calendars listing the hours worked each day and name of the employee. We were unable to locate the financial reports prepared in the regular format for the months of January through June 1997.

We recommend that monthly financial reports include budget line items, expenditures, budget balances, bank account balances, tax receipts, and other income. We also recommend that supporting documentation for expenditures be maintained, and the financial reports be presented to the commissioners at each regular meeting of the commission.

3) The Recording Of The Minutes Should Be Improved

The commission's bylaws require the secretary to approve and certify the minutes of the meetings as the official records of the commission. During the months of January through June of 1997, the commission's minutes were not as detailed, complete, or accurate as they had been in the months prior to January 1997. We recommend that the commission's minutes be complete and accurate. In addition, the minutes as approved by the commission should be dated and signed by the secretary, and signed by all of the commission members present.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1997
(Continued)

4) The Grayson County Tourism Commission Should Maintain Proper Time Records

During our audit we could not find time sheets on the employees. KRS 337.320 requires the employer to keep a record of the amount paid each pay period to each employee, the hours worked each day and each week by each employee, and such other information as the Commissioner of the Department of Workplace Standards in the Kentucky Labor Cabinet requires. The time sheet should list the hours worked each day and each week by each employee, and record the employee's compensated leave time earned and used. The employee and the commission chairperson should sign the time sheet.

5) The Grayson County Tourism Commission Did Not Meet The Requirements Of The Open Records Act And Open Meetings Act

The Grayson County Tourism Commission did not comply with the Open Records Act, KRS 61.870 et seq., by failing to respond to a local newspaper's February 1997 open records request. KRS 61.880(1) provides that within three days of receipt of an open records request, a public agency must determine whether it will honor the request and notify, in writing, the person submitting the request of its decision. If an agency denies all or any portion of the request it must cite the specific exception authorizing nondisclosure and briefly explain how it applies to the record withheld. The commission did not issue a response in conformity with KRS 61.880.

In addition, the Grayson County Tourism Commission did not respond in writing to the local newspaper's February 19, 1998, Open Meetings complaint. KRS 61.846(1) provides that within three business days of receipt of an Open Meetings complaint, a public agency must determine whether to remedy the alleged violation pursuant to the complaint and notify, in writing, the person making the complaint of its decision.

We recommend that the Grayson County Tourism Commission fully comply with all provisions of the Open Records Act and Open Meetings Act.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
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Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Grayson County Tourism Commission for fiscal year ending June 30, 1997 and have issued our report thereon dated July 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Grayson County Tourism Commission's financial statements as of June 30, 1997 are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under Government Auditing Standards which are described in the Comments and Recommendations section, included herein.

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court
- The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports
- The Recording Of The Minutes Should Be Improved
- The Grayson County Tourism Commission Should Maintain Proper Time Records
- The Grayson County Tourism Commission Did Not Meet The Requirements Of The Open Records Act And Open Meetings Act

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grayson County Tourism Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

To the People of Kentucky
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Comments and Recommendations, included herein.

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget To The Grayson County Fiscal Court
- The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports
- The Recording Of The Minutes Should Be Improved
- The Grayson County Tourism Commission Should Maintain Proper Time Records
- The Grayson County Tourism Commission Did Not Meet The Requirements Of The Open Records Act And Open Meetings Act

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the above items to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 1999

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
CURRENT COMMISSION'S RESPONSE TO COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1997

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The current Commission has no minutes for 1997 but according to an article in the Grayson County News Gazette dated on October 9, 1997, "The Grayson County Tourism Commission met for the first time since February, on Monday, October 6, 1997." This causes the current Commission to question any minutes for the year 1997 in support of approved spendings.

Karen Woosley held possession of all documentation and records for the Grayson County Tourism Commission. During this time frame the Commission made numerous requests for documentation from Woosley.

At the conclusion of Karen Woosley's term, she, through the cooperation of the Judge/ Executive, simply refused to leave her seat on the commission. Through preposterous claims and absurd interpretations of the law, Mrs. Woosley continued to conduct business as usual, making decisions, disbursing funds, Etc. The Chamber was then forced to seek an order from the Circuit Clerk removing Mrs. Woosley from her obvious illegal position.

The documents in question could not be located because Mrs. Woosley maintained control. Mrs. Woosley refused to release the documents or were reportedly unavailable by her. This Commission made several requests of Mrs. Woosley BEFORE the audit was conducted to turn over all of the documents but the Commission was refused.

During this period of time, Mrs. Woosley attempted to maintain some of the minutes. Because of legal difficulties in removing her from her seat, she refused to properly document the details of many of the meetings. Furthermore, Mrs. Woosley chose to ignore requests and orders to turn over documents to the announced time in an attempt to avoid coverage of the meetings.

Current Position:

The current Commission has an approved budget which is followed and reviewed at each monthly meeting. All expenditures are noted and approved before a check is written (except those pre-approved in the budget – rent, payroll, telephone, taxes, etc.) The Grayson County Fiscal Court does receive a yearly and quarterly report for the budget. The 1999-2000 budget has been approved with the Grayson County Fiscal Court and is expected to be approved on July 20, 1999.

All staff members have a weekly time sheet which is completed, reviewed and filed on the office for anyone to view. All invoices are kept in correct order with the check number noted in the upper right hand corner for viewing upon request. Two signatures are on every check (Treasurer and Chairman/Vice-Chairman). Minutes are prepared for every meeting with the Secretary signing the approval.

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GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
KAREN WOOSLEY, FORMER CHAIRMAN'S
RESPONSES TO NOTES, COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1997

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
KAREN WOOSLEY, FORMER CHAIRMAN'S
RESPONSE TO NOTES, COMMENTS, AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1997

1) The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

The Grayson County Tourist Commission did adopt an annual budget which was submitted to the Grayson County judge Executive pursuant to the Commission Bylaws Section XII C-3. We did submit monthly financial reports along with minutes to the Grayson Count Judge Executive. That was never any intent by the commission to bypass fiscal court. We will in the future submit our annual budget to the Grayson County Fiscal Court. In 1996-1997 Grayson County had an increase in tourism dollars spent in the county due to the commission marketing campaign. \$24,657,173 tourism dollars were spent in Grayson County. This is approximately a million dollar increase from 1995-96. The Grayson County Tourist Commission funds have been managed well. The Commission drew alot of interest on money. All transient taxes have been accounted for and there were no illegal expenditures. The tourism money balances from one year to the next.

2) The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports

Many tactics have occurred during the hostile take over of the commission. many tactics have been used to block the commission from getting an audit report. We have fully cooperated with the State Auditor's office in requesting copies of cancelled checks from from the bank. I personally paid the bank \$200.00 for copies of cancelled checks. In a collaborative effort with the state auditor's office, we have gotten additional supporting documentation, receipts for cancelled checks for 1996-1997 year. See Exhibit B. We do have signed time sheets to support payroll expenditures and respectfully request that they be made a part of this audit report. (1997)??

Auditors Response:

Karen Woosley submitted signed affidavits or receipts to provide additional support for the expenditures. They were not original invoices or receipts. Due to the number of the documents, we have not included these in the audit report. Karen Woosley submitted calendars listing the hours worked each day and name of the employee. The calendars did not contain the information required by Kentucky Labor Cabinet. We have not included the calendars in the audit report.

3) The Recording Of The Minutes Should Be Improved

Every effort was take to provide good minutes. We will try to continually improve in this area.

GRAYSON COUNTY
GRAYSON COUNTY TOURISM COMMISSION
KAREN WOOSLEY, FORMER CHAIRMAN'S
RESPONSE TO NOTES, COMMENTS, AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1997
(Continued)

4) The Grayson County Tourism Commission Should Maintain Proper Time Records

The Grayson County Tourist Commission did, . . . In fact, keep time records. Employees would check in upon arrival at the commission by signing the appointment books. Employees presented a list of hours worked for the commission each week. We respectfully request that a copy of the Commissions Time Records signed by the Chairman and employee be interjected into the audit report.

Auditor's Response:

Karen Woosley submitted calendars listing the hours worked each day and name of the employee. The calendars did not contain the information required by Kentucky Labor Cabinet. We have not included the calendars in the audit report.

Note 4. An Order Was Issued By The Circuit Judge Declaring Becky Brooks The County Chamber of Commerce's Lawful Designee On The Grayson County Tourism Commission

See Exhibit "A" [See next page] transaction of hearing before the Court.... At a hearing in Grayson Circuit Court on July 29, 1999. The Court ruled that the plaintiffs motion, the Chamber be granted. The Court ruled that Becky Brooks must be seated and accepted by the tourism commission as the Chamber of Commerce delegate... 'And the Court further stated that the other motions before the court were rendered moot and the other motions simply were not addressed. The Court said to Woosley... "I think somebody told me that, in fact, you were seated on the tourism as a representative from the county judge executives office. No one has challenged that and I didn't look at that. The only other thing that I addressed was your, the tourist commissions ability to require and order an audit; and I think unquestionably that you have the authority to do it and have an obligation to do it."

